

MOTION TO COMPEL

EXHIBIT L

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Robert K. Beste

From: Stephen Casarino [SCasarino@casarino.com]
Sent: Wednesday, May 02, 2007 3:08 PM
To: Robert K. Beste
Subject: FW: Lane Drexel



Property Manual
April 2002 Edi...

-----Original Message-----

From: Parker, T Gregg [mailto:TParker@harleysvillegroup.com]
Sent: Wednesday, May 02, 2007 2:56 PM
To: Stephen Casarino
Subject: FW: Lane Drexel

-----Original Message-----

From: Roberts, Janice
Sent: Monday, April 30, 2007 2:05 PM
To: Logan, Christopher; Parker, T Gregg; Rotella, Frank
Subject: RE: Lane Drexel

Chris: Here is the Property Manual that was in effect on 6/22/2004.
Let me know if you need any additional information.

Thank you,

Janice Roberts
Technical Writer
Harleysville Insurance Co.
(215)256-5449
jroberts@harleysvillegroup.com

-----Original Message-----

From: Logan, Christopher
Sent: Tuesday, April 24, 2007 4:34 PM
To: Parker, T Gregg; Roberts, Janice; Rotella, Frank
Subject: RE: Lane Drexel

Hello,
The date of loss on this claim is 6-22-2004.
If you need anything else, please let me know.

Chris Logan, AIC, SCLA
Senior Property Claims Specialist
Harleysville Insurance Company
SE Claims Service Center
888-549-9876 x 1289

-----Original Message-----

From: Parker, T Gregg
Sent: Monday, April 23, 2007 8:54 PM
To: Roberts, Janice; Rotella, Frank

Cc: Logan, Christopher
Subject: RE: Lane Drexel

Janice,
We need the edition that was in effect on the date of loss. I would like to have this before my deposition May 7. Possible?

Chris'
Please send Janice the loss date.
Thanks to you both.
Gregg

Sent from my GoodLink Wireless Handheld (www.good.com)

-----Original Message-----
From: Roberts, Janice
Sent: Monday, April 23, 2007 09:43 AM Eastern Standard Time
To: Rotella, Frank
Cc: Parker, T Gregg
Subject: RE: Lane Drexel

Gregg: Just need you to confirm which edition of the property manual that you need. Is it the most current one or one for a specific date?

Thank you,

Janice Roberts
Technical Writer
Harleysville Insurance Co.
(215)256-5449
jroberts@harleysvillegroup.com

-----Original Message-----
From: Rotella, Frank
Sent: Friday, April 20, 2007 2:59 PM
To: Roberts, Janice
Cc: Parker, T Gregg
Subject: RE: Lane Drexel

Janice,

Can you help us out with this?

Gregg,

Let me know when and Where. Perhaps I can come down and meet you for dinner.

Frank Rotella, SCLA
Director of Property & Material Damage Claims
Extension #5258

-----Original Message-----
From: Parker, T Gregg
Sent: Friday, April 20, 2007 1:27 PM
To: Rotella, Frank
Subject: Lane Drexel

Hey Frank,

Just got off the phone with our attorney, Steve Casarino, who advised that he is setting up the depositions. Looks like I'm headed to Delaware some time in the near future.

He also requested a copy of our claim manual. I told him we maintain an electronic Property Claim Manual, and I may be able to get him a copy. Could you tell me how to get about that, so that I have the correct edition?

Gregg

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MUNICIPAL LIEN LAWS

Most states have in effect a "Municipal Lien Law" which requires notification to the municipality, where our insured's structure is located, at the time of fire damage to that structure. This enables the municipality to collect unpaid taxes prior to settlement of the claim.

Details, per state, are available by accessing www.PLRB.org.

ACCIDENT CODES FOR PROPERTY CLAIMS

The appropriate suffix designation should always be used. See below for a list of available property loss suffix designators.

<u>CODE</u>	<u>DESCRIPTION</u>
01	Fire - Miscellaneous or Undetermined
11	Fire - Arson
21	Fire - Electrical Exposure
31	Fire - Heating System, Wood stove
41	Fire - Smoking, Matches
51	Lightning
61	Smoke
71	Explosion
81	Sudden & accidental damage from artificially generated electrical current
02	Windstorm
12	Volcanic Eruption
22	Sinkhole Collapse or Mine Subsidence
32	Earthquake
42	Collapse
52	Environmental Removal
62	Damage to Contents - Escape of liquid fuel from on premise storage system
03	Freezing (Including water damage from freezing and thawing)
13	Weight of Ice, Snow or Sleet
23	Accidental discharge or overflow of water or steam
33	Sudden & accidental tearing apart, cracking, burning or bulging

- 43 Boiler & Machinery
- 53 Rain Damage (not ground water damage)
- 63 Flat Roof Water Damage

- 04 Theft or Burglary - on premises
- 14 Theft - off premises
- 24 Theft - from unattended autos
- 34 Mysterious Disappearance
- 44 Robbery
- 54 Burglary
- 64 Fidelity
- 74 Employee Dishonesty

- 05 Vandalism
- 15 Plate Glass Damage or Breakage
- 25 Lock Replacement
- 35 Riot or Civil Commotion

- 07 Credit Card, Fund Transfer Card
- 17 Homeowners Special Endorsement
- 27 Transportation Perils
- 37 Marine Perils

- 08 Aircraft
- 18 Damage by Vehicles
- 28 Falling Objects
- 38 Damage by glass or safety glazing material

- 48 Damage to Insured property by bird or animal
- 58 Damage to Insured animal by collision
- 20 Hail
- 60 Damage to Building - Escape of liquid fuel from on premise storage system
- 90 All other PHYSICAL Damage

ADVANCE PAYMENTS

An advance payment is different from a partial payment. An advance payment is generally not apportioned to a specific damaged item as would be a partial payment or settlement payment. The advance is generally made under a specific suffix. The insured should understand what suffix the advance is for and that it will be deducted from the final settlement. The insured should also understand the specific apportionment of the advance when it is deducted from a final settlement. The insured should also understand that all rights under the policy are reserved. An advance payment receipt and non-waiver form C-1121 or similar document should be used when making advance payments.

AFTER HOURS CLAIMS CALL CENTER INSTRUCTIONS FOR PROPERTY CLAIMS

New losses received after hours (after the CCU is closed) are taken by an afterhours call center vendor who is given the following instructions.

ROUTINE PROPERTY CLAIMS

The call center should gather detailed information from the policyholder describing specifically what happened and specifically what was damaged.

EMERGENCY PROPERTY CLAIMS

The following types of claims are considered emergency property claims.

- Fire, smoke, or soot damage where the policyholder cannot live in the House
- Water damage that has occurred since the last business day
- Any damage where the house is open to the elements or not safe and secure

Emergency claims should be reported to Crawford & Company Insurance Adjusters for emergency handling 888.382.0047. A Crawford & Company Adjuster will contact the policyholder and, if necessary, meet with the policyholder to arrange for emergency services, assistance, and evaluation. The call center should note the assignment to Crawford & Company on the claim report that is sent to Harleysville.

CAPTIONED REPORTS FOR PROPERTY CLAIMS

Captioned reports are required on all property claims where the amount claimed exceeds \$50,000. The captioned report should be sent the HO Property Consultant and HO Property Claim Manager on all property claims where the amount claimed exceeds \$350,000 or if specifically requested by Home Office. Captioned reports should be submitted within one or two weeks of the initial inspection and monthly thereafter.

The captioned report should be sent concurrently to the HO Consultant and HO Property Claim Manager with all claim file documents on all property losses over office authority (currently \$350,000). A captioned report in the standard format for property claims may also be requested on other losses on a case by case basis if the loss is complex, unusual or for other reasons.

Each report should have a heading which lists; claim number; insured; date of loss; location of loss; cause of loss; policy type; name, address, phone number, fax number, e-mail address, mailing address of the author; name of addressee and name of everyone copied. On losses over \$50,000, reports should be clearly labeled in sequence as first report, second report, third report, fourth report.

The captions should appear as follows:

Cause

List the reported cause of the loss and who reported it. Summarize cause information given by the insured and witnesses. Note who is doing the cause and origin investigation and who has been retained as subro counsel. Note the agreed fees for the C&O and counsel. Note if SIU is involved and note if a non-waiver or reservation of rights has been issued.

Coverage

Summarize coverage including policy effective date, policy forms, limits, deductibles, lien holders and other interests, and the existence of any other insurance. Note the

ownership of damaged property and any issues arising from the ownership.

Inspection

List everyone who has inspected the damaged property and the date of their initial inspection. This should include every agent, insured, expert, or public adjuster on site (including the staff adjuster) and a phone number should be included for each person. Also list any other people that are scheduled to the site.

Building

Begin by restating the building coverage details. Note the total square foot of the building and the total square foot of the damaged section. Note the normal use and occupancy of the building. Note the type of construction, number of floors, and the results of the Boeckh Replacement Cost Evaluation. Note the results of any other RC evaluator used for comparison and note the coinsurance status. Note specifically who is completing the structure estimate and if a vendor is involved note the fee (Time and expense is preferred. The estimate should be finalized in 30 days). Detail any building salvage. Note if a salvor has been retained for building salvage and note the fee (note both the % and the time an expense fee if any). Note the amount of time estimated to complete repairs. Note what if any advances were paid on this suffix and end with a recommended reserve.

Contents

Begin by restating the contents coverage details. Note the general description of the contents (i.e. stock, materials, office equipment, manufacturing equipment, etc.) and note the description of the damaged contents. Note the most recent physical inventory date or that will you need to rely on tax returns for historical inventory/contents information. Note if the stock has a seasonal element. Note the status. Note specifically who is completing the damaged contents inventory and if a vendor is involved note the fee (Time and expense is preferred. The estimate should be finalized in 30 days). Detail any contents salvage. Note if a salvor has been retained for contents salvage and note the fee (note both the % and the time an expense fee if any). Note what if any advances were paid on this suffix and end with a recommended reserve.

Business Interruption (if applicable)

Begin by restating the BINT coverage details. Note the general type of business and the insured's rough statement of gross income per month and rough figure of net profit and continuing expenses per month (gross income less cost of goods sold plus continuing expenses or net profit % plus continuing expenses). Note the name and phone number of the insured's accountant and what business records you have requested of the insured. Note the most recent balance sheet and income statement or that will you need to rely on tax returns for historical income and expense information. Note if the income has a seasonal element and if business was generally growing, declining or level. Note specifically who is completing the BINT calculation and if a vendor is involved note the fee (Time and expense is preferred. The income projections should be finalized in 30 to 60 days). State the expected amount of time business will be totally or partially closed and detail what is being done to resume operations (other business locations or temporary locations). Note what if any advances were paid on this suffix and end with a recommended reserve.

Additional Living Expense (if applicable)

Begin by restating the ADLE coverage details. Note the number of family members living in the house prior to the loss and include relevant details such as pets or special needs. Note where the insured is staying and what plans are being made for living arrangements. Note specifically who is completing the ADLE calculation - this should normally be done by the staff adjuster, not by a vendor. State the expected length of the period of restoration and what is being done to minimize same. Note what if any advances were paid on this suffix and end with a recommended reserve.

Other Suffixes

Every suffix should have a separate heading and contain the type of detail noted above.

Subrogation

Begin by restating the cause and detail the findings of the cause and origin expert and subro counsel. Note the fees agreed to. Mention specifically if the HO subro department has been notified. List the name of all potential targets and if they have

been notified. Note if the potentially liable parties have inspected the scene and discuss what has been done to preserve evidence and to avoid spoliation. Note the carrier for each potentially liable party and the limits available.

Salvage

List any potential for salvage or explain why there is no salvage potential. If you have retained a salvor note who and note the fees agreed to. If there is salvage note how it will be handled and what amount of recovery is expected.

Handling Completed

Note all work completed that is not detailed above.

Handling to be Done

Note the specific plan for moving the claim to conclusion.

Subsequent Captioned Reports

Subsequent Captioned Reports should still include a caption for every suffix and for subrogation and salvage. If the suffix is settled and closed, the text under the caption should say the suffix is settled and closed and should state the amount paid under the suffix. Similarly, if subrogation or salvage is resolved, the text under those captions should state the resolution. The text for open suffixes (or pending subrogation/salvage) should report developments since the last report and state what is needed for resolution.

The captions for cause, coverage and inspection on subsequent reports should list only a brief summary of the cause, coverage and inspection dates. The Home Office file should be a duplicate of the field file. The Home Office and Consultant file should receive copies of all field file documents.

CATASTROPHE CLAIM REPORTING

The Property Supervisors in all claim offices are responsible for reporting potential catastrophes to Home Office. Reporting is done by completing the Manual CAT Claim Count form C-405 and sending it by e-mail to the HO Property Claim Manager and HO Property Consultant for that area. The C-405 should be completed any time 50 or more claims are received from a single event (storm, earthquake, fire, etc.). The "top ten" zip codes affected and the large loss information is essential to effective CAT management.

CCU - WHICH PROPERTY CLAIMS WILL REMAIN IN THE CCU FOR HANDLING

- Personal lines claims only (Policies with HO or DP policy number prefix)
- No Commercial lines claims
- Under \$7,500 in expected loss value
- Small, simple theft claims involving less than 5 items requiring inspection or research outside of the policy will go to the CSC)
- Claims that do not involve a represented insured (If an insured has hired a public adjuster or an attorney to represent them in the presentation of the claim, it should be forwarded to the CSC).
- Claims with no indications of fraud

COINSURANCE AND REPLACEMENT COST QUALIFIERS

Coinsurance Worksheet Form C-456 is required to be used on all losses over \$25,000 with coinsurance requirements or where there is an obvious insurance to value issue. The Replacement Cost Qualifier Form C-473 should be used on all personal lines losses over \$25,000 with replacement cost coverage or where there is an obvious insurance to value issue. These are Excel forms that have been developed to assist in making the necessary calculations to determine compliance with the coinsurance or replacement cost provisions of the policy. Any significant under or over insurance should be reported to the underwriting department on the Underwriting Risk Report (Form # C-1093 for commercial lines and Form # C-1094 for personal lines).

CSC - WHICH PROPERTY CLAIMS WILL BE FORWARDED TO THE CSC FOR HANDLING

- All claims under a commercial lines policy
- Claims expected to exceed a total of \$7,500.00
- Theft losses involving more than approximately 5 items
- Any claim represented by a public adjuster or an attorney
- Any claim involving a coverage dispute
- Any claim with a fraud indicator

The existence of any one of these conditions will require the claim to be forwarded to the CSC.

DEPRECIATION

For building losses, recoverable depreciation should be held until repair or replacement is completed if the amount of recoverable depreciation (R/D) is over \$1,000. Also note the policy allows payment of replacement cost without deduction for depreciation on building losses under \$2,500.

For content losses, withhold recoverable depreciation until repair or replacement is complete if the amount of recoverable depreciation is over \$500.

See the Depreciation Schedule form C-470 and the QAC form C-425 for general guidance on applying depreciation. The R/D should be paid when repair or replacement has been documented by photos, bills, or inspection as appropriate. The file can remain open if it is clear that recovery will be sought but there should be active follow up to assure a R/D claim does not remain open where additional payment is unlikely.

FEE ARRANGEMENTS, VENDORS,

No experts should be hired until there is an agreement on their fee arrangements. The fee agreement should be documented in the file. All experts' fees should be based on time and expense unless approved by the Home Office Property Manager or Home Office Property Consultant. Contractor's fees based on a percentage of the estimate are generally not acceptable. All time and expense invoices must include a detailed breakdown of the charges.

Independent Adjuster Fees for appraisal only assignments up to \$7,500 may be billed on a flat fee arrangement. Independent Adjuster Fees for losses in excess of \$7,500 should be billed at Time & Expense.

FORMS FOR PROPERTY CLAIMS

Generic Property Department forms are found in Outlook. Following is the path to those forms:

PublicFolders

All PublicFolders

CompanyForms

ClaimsForms

Property

Generic

Be aware that State Insurance Departments may require specific notices on correspondence and/or forms. The generic forms are not state specific and may require a cover letter or addition of state specific notices. A list of all Property forms by number, name, and use is found on form number C-1013.

LARGE LOSS REPORTING

The C-483 Large Property Loss Info Sheet must be completed on all first party property losses that will exceed \$100,000. The form is completed and sent by e-mail upon first notice. Do not hold the C-483, it is a first notice document. The C-483 form should be sent by e-mail to the HO Property Consultant for your area and the HO Property Claim Manager.

A captioned report in the standard format for property claims should be completed within one or two weeks of inspection on all property losses over \$50,000 with an updated report monthly. The captioned report should be sent with all claim file documents to the HO Consultant and HO Property Claim Manager on all property losses over office authority (currently \$350,000). The reports and claim file document copies should be sent concurrently to the HO Consultant and HO Property Claim Manager. See **CAPTIONED REPORTS FOR PROPERTY CLAIMS** for the standard format for captioned reports for property claims. A captioned report in the standard format for property claims may also be requested on other losses on a case by case basis if the loss is complex, unusual or for other reasons.

PHOTOS - PROPERTY CLAIMS

Sufficient photos should be taken to document the loss and damage. Photos of old or unrelated damage should also be taken if it is possible that this damage could be claimed at a later date. Photos should be mounted and labeled to adequately identify their content.

PILR

All reporting to PILR (Property Insurance Loss Register) is completed electronically through the system according to loss type codes. Paper reporting forms are no longer required. Reports are submitted on a weekly basis. A complete insured location address including street, city, state and zip code are required for reporting.

It is imperative that this information is accurately completed at setup of the claim. If information is missing or incorrectly formatted, the system cannot submit the claim to PILR. An error report will be generated weekly, of all claims not reported to PILR due to missing or incorrect information. This error report will print automatically in each claim office. The incorrectly formatted claims will continue to print on the error report each week, until corrected.

The potential impact of returned hits from PILR on the current claim must be evaluated on a case by case basis. A claim with a similar or related loss description occurring within a year of the current loss would warrant further investigation. That investigation should begin with a review of the prior claim file if it was a Harleysville claim. If the claim was with another carrier, a review of the claim file through that carrier should be conducted. Information developed by that review would determine the action to be taken. Repeated occurrence of similar losses, particularly theft claims would warrant further investigation.

PROOFS OF LOSS

Generally, a proof of loss should be obtained on losses over \$7,500 and when appropriate on smaller losses. In appropriate cases, the proof of loss can be sent with an actual cash value payment where a claim for recoverable depreciation is pending.

PROPERTY LOSS RECAP FORMS

A property loss recap form C-455 must be completed on all property losses involving more than one payment. A single payment split between two suffixes is considered more than one payment. The form should include loss payments only (not adjusting expenses) and should match the total payments on the payments screen. The date field should reflect the date payment was issued (not the processing date). The description field should identify the document supporting the payment. On larger files, the file documents supporting the payment should be tabbed. On all files, estimates or inventory amounts that match payments should be highlighted for easy identification.

RECORDED STATEMENTS AND WRITTEN STATEMENTS

Written or recorded statements should be taken on most theft losses over \$7,500 and on losses that where the presentation of specific reported facts is needed. Written statements should be legible. Recorded statements should be clear and concise. The contents of a recorded statements should be summarized on the Recorded Statements Summary form C-495

RESERVE AND AUTHORITY REQUEST TO HOME OFFICE

Claims must be referred to Home Office for reserve and settlement authority when the value of the damage claimed exceeds office authority. This includes coverage denials where the damage claimed exceeds office authority. The Home Office file should be a duplicate of the field file. **INITIAL RESERVE REQUESTS SHOULD FOLLOW THE STANDARD FORMAT OF THE PROPERTY CLAIM CAPTIONED REPORT.** No special form is needed for reserve change recommendations but any and all prior payments made must be detailed on a Property Loss Recap (form C455, C477, or C476). The file should be reserved at full value within 30 days of the first report of the claim. The request must clearly state the basis for the request by suffix and include supporting documentation. The requested incurred reserve should include the total payments which can reasonably be expected to be made on a given suffix, based on the information available at the time of the reserve request.

Incurred reserves should be reduced if the situation changes and the expected amount of total payment on a given suffix is less than the current incurred reserve. Step reserves should be avoided.

Requests for payment authority must be submitted to the Home Office on any Reported File with ALL DOCUMENTATION necessary to support the amount of the payment authority requested. A Payment Recap & Authority Request (PLReq) (Form # C-476 or # C-477) **MUST BE INCLUDED** with every request for payment authority. If payments issued exceed the number of available lines on the C-476 or C-477 a supplemental Payment Recap (Form # C-455) should be used. The total payments listed on the C-455 should be transferred to the C-476 or C-477 forms. The amounts requested should indicate whether they are actual cash value or replacement cost. Recoverable depreciation should be listed separately and requested at the same time that ACV is requested when appropriate. Each amount on the PLReq must have a corresponding tabbed supporting document. The supporting tabbed document should have the amount requested highlighted. The supporting documents should provide detail sufficient to review and verify all calculations.

RISK INFORMATION REPORTS

Note and document any hazards observed which would reflect on the insurability of the risk and report them to the underwriting department on the Risk Info Report (Form # 1093 for commercial line and Form #1094 for personal lines).

- Personal lines risk info reports form 1094 should be e-mailed to Debra Crum with copy to the claim file
- Commercial lines risk info reports form 1093 should be e-mailed to Debbie Vesci with copy to the claim file

SUFFIXES (LOSS TYPE CODES) FOR PROPERTY CLAIMS

The appropriate suffix designation should always be used. A list of all property suffixes with loss description, policy type, and use is found on form C-1006.

UNDERWRITING RISK INFO REPORTING OF PROPERTY CLAIMS

Cooperation between the Claim Department and the Underwriting Dept is essential to not only effective underwriting and loss control, but also for effective and efficient claim handling. Each claims person should develop a relationship with the local underwriters and loss control staff that will foster an exchange of information. You should make the Underwriters aware of any and all instances of under or over insurance. This will assure that the risks are properly insured and that we are receiving the correct premium for the risk.

Your observations of the conditions of the risk from a claims perspective will be a valuable asset to loss control and underwriting. You must report defects

that you observe or any conditions that you feel should be brought to the attention of Underwriting and Loss Control because they are relevant to the risk insured. Do not make judgements or comments about the insured's character. Comment only on the factual situation and the physical conditions that you observe using the Underwriting Risk Report (Form # C-1093 for commercial lines and Form # C-1094 for personal lines

SALVAGE

Salvage should be considered on every claim and should be sold wherever possible to maximize the recovery. Salvage can be sold to the insured, to a salvor or to a private salvage buyer. However, Harleysville employees should not buy or take personal possession of salvage from a claim (this does not prevent salvage handling incidental to sale).

IN THOSE CASES WHERE THE MAXIMUM RECOVERY CAN BE OBTAINED BY SELLING THE SALVAGE BACK TO THE INSURED, THE SALVAGE RECOVERY MUST BE PROPERLY REPORTED AND CODED AS SALVAGE RECOVERY ON THE SALVAGE SCREEN. The full amount of the loss payment must be shown on the system with the amount of the salvage recovery shown and coded separately.

Recovered or damaged guns or firearms should be either returned to the owner for the agreed salvage value, sold to a licensed gun dealer for the agreed salvage value, donated to the local police (donation receipt must be in the file), or destroyed. Documentation of proper sale, donation, or destruction must be in the claim file.

A list of approved salvors is located on the **VENDOR LIST** on **THE LINK**.

LIEN HOLDERS

Lien Holders should be included on any payment for secured real or personal property of \$2,500.00 or more.

LARGE LOSSES

ROLE OF THE HOME OFFICE PROPERTY CONSULTANT

The handling of all property losses is done at the direction of Home Office.

LOSSES \$100,000 to \$350,000

The CSC supervisor will complete C-483 upon notice and forward the completed form to the CSC Property Manager, Home Office Property Consultant and the Home Office Property Manager.

The Consultant may elect to inspect or re-inspect the loss site and/or review the file.

The CSC Manager may also request inspection/re-inspection, review and/or assistance by e-mail to the Home Office Property Consultant and the Home Office Property Manager.

The Consultants involvement will consist of assisting with coverage analysis, evaluation of coinsurance, depreciation, dispute resolution, BINT, and use of experts.

The Consultants will make notes of their inspection and recommendations on the adjuster log screen or by memo or e-mail. Memos and e-mails will be sent to the CSC Property Manager, Supervisor, and handling Adjuster and copied to the HO Property Manager and CSC Office Manager.

LOSSES OVER \$350,000

The CSC supervisor will complete C-483 upon notice and forward the completed form to the CSC Property Manager, Home Office Property Consultant and the Home Office Property Manager. The CSC Property Manager will also call the Consultant and agree to the assignment of the handling staff appraiser, vendors, experts, and handling parameters.

The Consultant, along with the assigned staff adjuster, and/or independent, will inspect losses over \$350,000 as soon as possible after notification. Every effort will be made to have a representative on site in 24 hours or less. If a staff person is not going to inspect with the Consultant, the exception must be approved by the Home

Office Property Claim Manager.

The Consultant will provide primary file direction during the initial phase while handling the loss in concert with the assigned CSC staff adjuster.

In the initial phase, the Consultant will direct and assist the CSC staff adjuster in, securing the proper experts and vendors, preparing a basic loss scope, recommending preliminary reserves, and identifying relevant issues.

The Consultant will make notes of their inspection and recommendations on the adjuster log screen or by memo or e-mail. Memos and e-mails will be sent to handling adjuster, CSC Supervisor, CSC Property Manager, CSC Office Manager and Home Office Property Claim Manager.

Within 15 days of inspection, the Consultant will forward a Consultants Report with reserve recommendations to the handling claim specialist, CSC Supervisor, CSC Property Manager, CSC Office Manager and Home Office Property Claim Manager. The Consultants Report will also outline the extent and nature of the Consultants on going oversight

Monthly captioned reports and reserve and authority requests will be done by the staff adjuster, approved by the CSC Property Supervisor and Property Manager and CSC Office Manager and sent to the Property Consultant and Home Office Property Manager with supporting documents.

ADJUSTER LOG SCREEN - PROPERTY CLAIMS

All day to day activity on a file should be documented on the Adjuster Log Screen.

The Adjuster Log Screen is the primary record of the claim activity. Entries should be clear and concise and should reflect the reported facts of the loss, damages claimed, and policy coverage. The entries should indicate what has been done and what needs to be done. The first substantive entry should follow the Standard Initial Format for Property Claims as noted below:

STANDARD INITIAL FORMAT FOR PROPERTY CLAIMS

COVERAGE:

EFFECTIVE DATE:

DEDUCTIBLE:

PRIOR CLAIMS:

CAUSE OF LOSS:

DAMAGE:

HANDLING:

Coverage should be reviewed and analyzed immediately upon receipt of the claim by the handling team or adjuster. Prior claims should be looked up and noted on the adjuster's log if they are recent or if they are otherwise related to the current loss.

The reported cause of loss should be documented with all details relative to the circumstances surrounding the loss. Ask questions. Use Policy Condition letters and Reservation of Rights letters when appropriate (late notice, coverage issues, repairs completed before inspection, etc.)

AFTER HOURS CLAIMS PROPERTY ADJUSTER INSTRUCTIONS

AFTER HOURS ADJUSTER INSTRUCTIONS - PROPERTY CLAIM HANDLING

The after hours call center will refer the following types of claims to an adjuster for emergency handling:

- Fire, smoke, or soot damage where the policyholder cannot live in the house
- Water damage that has occurred since the last business day
- Any damage where the house is open to the elements or not safe and secure

The adjuster receiving a claim from the after hours call center must do the following things:

- Contact the policyholder to get a detailed description of the cause and damages
- Travel to the loss site to take photos, prepare a rough scope of damages, and assist the insured. Do not prepare a detailed estimate, only a rough scope of damages.
- Issue a reservation of rights letter to the policyholder that explains that the inspection and related activities should not be construed as an admission of coverage.
- If necessary to mitigate damages or to make the premises temporarily safe and secure contact SERVPRO at 1-800-SERVPRO (800-737-8776) to perform emergency services. The SERVPRO franchise will follow our national account vendor agreement.
- If the policyholder cannot live in their house and the house cannot be made habitable and as a result the policyholder needs cash for immediate food, shelter, or clothing, issue a cash advance of up to \$2,000 for additional living expenses (in accordance with our national account agreement, Harleysville will

reimburse this loss payment advance on the next business day).

- Fax or e-mail a report (not exceeding two pages), rough scope (not exceeding two pages), and photos to the Central Claims Unit, attention Howard Irving at 800-441-4118 or hirving@harleysvillegroup.com before the next business day.
- After hours services will be billed at \$65 per hour for adjusting time, \$1.25 per mile after the first 30 miles for driving time (no hourly adjusting fee for driving), and photos at \$1.50 each.

APPROVED CONTRACTOR PROGRAM - PROPERTY CLAIMS

This program has been developed give the policyholder the option of having their damages repaired by a reputable contractor who will guarantee the repairs for one year while providing quick and accurate building damage evaluations to the CSC & CCU at a minimal expense. Use of an Approved Contractor is limited to losses under \$5,000. If the loss exceeds \$5,000 a claim specialist should be involved. The program is administered and maintained by the cooperative efforts of the Home Office Property Department and the CCU and CSCs.

In order to assure the success of the program we have set standards for Approved Contractors and guidelines for the CCU and CSC's. Each approved contractor will be monitored by periodic loss re-inspections and/or file reviews by Home Office Property Consultants and field staff to determine if they are to remain in the Approved Contractor Program. Those re-inspections may be conducted before, during or after repairs are completed to enable us to evaluate the accuracy of the estimates and quality of the workmanship.

Standards for Approved Contractors

- Contact the insured within 24 hours of receipt of our assignment (non-emergency routine claims)
- Inspect within 2 workdays of receipt of our assignment (non-emergency routine claims)
- Prepare a detailed estimate (up to \$5,000.00) showing the ACV and RC. In most cases, General, Contractor's overhead & profit (10% + 10%) will be included only on estimates that involve three trades or more. If the loss is expected to exceed \$5,000 or any unusual circumstances are observed the Approved Contractor will immediately contact the claim office for instructions on how to proceed.
- Take sufficient photos to show the extent of damage and 1 photo of the exterior front of the risk.
- The estimate should be faxed to the CCU or CSC within 5 business days of

receipt of our assignment.

- A flat fee of up to \$125 will be paid per inspection. That fee is to be refunded to us if the approved contractor does the repairs.
- A written one-year guarantee will be given on all repairs. Standards for CCU and CSC Claim Specialist
- Approved contractors are listed in the Preferred Vendor Database on The Link. Only contractors from this list should be used to prepare building damage estimates under the Approved Contractor program.
- The claim offices can submit candidates (contractors) for the program to their HO Property Consultant for approval. Submissions must include the name of the Company's principals, mailing and location address, telephone and fax numbers, estimate fee recommended (not to exceed \$125.00), service area by 3 digit zip code and/or county, TIN#, and e-mail or web address if applicable. Additional information can be included. Approved Contractor Data Sheet (form #C-438) are included in the Property Forms Library in Outlook Public Folders. If approved, the Consultants will add the contractor to the Preferred Vendor Database on The Link. The Home Office Property Consultant will then forward an appointment letter to the Approved Contractor. Only Approved Contractors included on the Preferred Vendor Database are to be used for the Approved Contractor Program.
- An Approved Contractor can estimate building losses up to \$5,000. Losses involving public adjusters or coverage issues are not eligible for this program. A detailed estimate will be faxed to the claim specialist within 5 working days. The claim specialist will then settle the loss and pay the claim as usual. The claims specialist must legibly sign and date the estimate indicating that the estimate has been reviewed and accepted. The name of the contractor can be included on the loss payment if they have contracted to do the repairs and the insured has signed a direction to include the contractor's name on the loss payment check.
- If the Approved Contractor determines that the damage will exceed \$5,000 or if they observe any unusual circumstance they will immediately contact the

assigning CSC or CCU for further instruction. If the estimate exceeds \$5,000 an adjuster should be assigned to inspect the loss and take over handling and adjustment of the claim. The Approved Contractor has the option of contracting with the insured for the repairs over \$5,000 based on the claim specialists estimate.

- Assignments to the Approved Contractors will be recorded by the CCU or CSC on the Property Appraisal Assignment Log (form # C-1173). These logs are saved to The Desktop Public Folders (Public on 'Corvette-Claims-CCU & Regional Claims-Property Logs) and can be accessed by Home Office, CSC & CCU managers and supervisors so re-inspections can be done. Property Managers must reconcile the Logs quarterly.
- The assignment logs will be utilized to monitor the use of the program and to select the losses for re-inspection. The CSC should also conduct re-inspections on a regular basis. Home Office Property Consultants will utilize the logs to schedule and report on their re-inspections of Approved Contractors. Any approved Contractor who does not adhere to the established standards of service, pricing and workmanship will be removed from the program.

CCU - PROPERTY CLAIMS REPORTED DURING CCU BUSINESS HOURS

Currently, the Central Claims unit is open for new claims 7am to 7pm Eastern time Monday through Friday and 9 am to 1 pm Eastern time Saturday. Claims are reported to the CCU according to the policy location. If the loss location is different from the policy location, the handling team or claim specialist can request assistance from the CCU unit or CSC that handles the loss location. The CCU unit or CSC that handles the loss location will provide assistance, advice and staff as requested. The CCU claims specialist will triage the claims and determine if the claim will remain in the CCU for handling or be forwarded to the CSC for handling based on the criteria listed below:

- Personal lines claims only (Policies with HO or DP policy number prefix)
- No Commercial lines claims
- Under \$7,500 in expected loss value
- Small, simple theft claims involving less than 5 items
- Claims with no disputed coverage issues (Questions requiring inspection or research outside of the policy will go to the CSC)
- Claims that do not involve a represented insured (If an insured has hired a public adjuster or an attorney to represent them in the presentation of the claim, it should be forwarded to the CSC).
- Claims with no indications of fraud

CONTENTS EVALUATION AND THEFT CLAIM HANDLING

Placing a value on lost, damaged or stolen personal property is the responsibility of the staff claim specialist. Only the C-418 Personal Property Inventory Form should be used. The insured is required under the policy to prepare a detailed inventory of damaged personal property but the task should not be completely abandoned to the insured. Personal property losses should be supported by proof of ownership in the form of original receipts, owners manuals, photos, etc. An affidavit of ownership may also be used as proof of ownership in limited situations. Proof of ownership can be waived on some common consumer goods in limited situations. Approved replacement service vendors should be used to verify values whenever appropriate. Theft losses should be supported by a police report that lists the stolen items. A police report can be verified by phone or waived in limited situations. Recorded statements should be taken on most theft losses over \$7,500 and in other cases when appropriate.

After payment of a theft claim, the proper authorities should be notified of our interest in case the stolen property is recovered. Notice to the authorities should include details of the stolen items so they can be identified. When appropriate under the policy, depreciation should be withheld on large items when the amount of depreciation is greater than \$500 or if the cumulative amount of depreciation for personal property exceeds \$500. In most cases, recoverable depreciation should only be paid after the claimed items are repaired or replaced and a notarized proof of loss has been submitted.

CSC GENERAL CLAIM HANDLING REQUIREMENTS

Assignments of new losses must be made to the claim specialist on the same day they are received by the CSC. Notices of loss should be assigned promptly on receipt by the CSC and faxed, emailed or otherwise transmitted to the handling staff claim specialist immediately. Assignment to the claim specialist should not be delayed by file set-up procedures. Generally, losses should not be assigned to supervisors for handling. **THE CLAIM SPECIALIST MUST MAKE CONTACT WITHIN 24 HOURS OF RECEIPT OF THE LOSS NOTICE "IN THE CSC".**

DISPATCH AND LOG RECONCILIATION

Property claim specialists should make vendor assignments (contractors and independents) using the Property Appraisal Assignment Form C-1175. The C-1175 should be completed by the claim specialist and e-mailed to the dispatcher in the claim office. The claims specialist can request a specific approved vendor or the dispatcher can assign a vendor from the approved list.

The dispatcher should log all assignments on the Property Appraisal Log form C-1173. The Property Appraisal Log should be reconciled by the Property Manager every quarter. Reconciliation should include checking to make sure all fields are complete and that no error messages appear. The service time and loss site information should be reviewed with individual vendors as needed to assure on going timely claims service.

EMPLOYEE CLAIMS

Employee claims within Claim Office authority should be reviewed and approved by the claim office manager prior to payment.

Claims for management level employees should be reviewed and approved by a Home Office Property Consultant prior to payment.

Employee suit claims should be handled by the Home Office. Employee suit claims should be sent to the Home Office Litigation Manager and the Home Office Line Manager.

All other standards and procedures should be followed.

EMERGENCY SERVICES

CCU ASSIGNMENT OF EMERGENCY SERVICES

During their first call from the insured, the CCU claim specialist will determine if emergency services are required and if so assign an Approved Vendor. On any claim transferred to the CSC notification of the assignment for emergency services will be provided to the CSC with the loss notice and noted on the Adjusters Log Screen. The claim specialist should be aware of and document the scope of the damage and should be aware of the amount of the deductible. Generally, emergency service vendors should not demand payment of deductibles before beginning work that will mitigate a covered loss. If there is any risk that the cost of emergency services will be less than the deductible, or if there may be a coverage issue, the insured should be so advised and the emergency services vendor should be instructed to call the CCU or CSC for instructions from the loss site. Generally, deductibles should be taken from non-emergency loss payments.

INFORMATION RESOURCES FOR PROPERTY CLAIMS

The Link is the Harleysville Insurance Intranet Web site. A number of company sites are available through The Link as well as access to the Internet.

From that site you can access the Claims Preferred Vendor Database (on the left menu - "Claims" > "Claims Preferred Vendors"). This search tool provides the most current list of Preferred Vendors that can be searched by Category and then by Service Area. Service Area can be searched by first 3 digits of the zip code, county, state, and national vendors or by the vendor name. The search will provide the needed contact information for the vendors.

Property Vendors are broken down into Categories according to their field of expertise such as Attorney, Approved Contractor, Consulting Contractor-General, Consulting Contractor-Roofer, Engineer-Electrical, Etc. An Approved Contractor is a contractor who has agreed to the provisions of the Approved Contractor Program. Consulting Contractors are not limited to the provisions of the Approved Contractor Program. An Approved Contractor may also be listed as a Consulting Contractor. A separate listing is provided for each Category. The Home Office Property Consultants based on the recommendations of the field and re-inspection and audit of the losses make additions or deletions.

SILVER PLUME - is a comprehensive resource for electronically published reference materials. Nearly all policy forms are available on Silver Plume in searchable form. Silver Plume is accessed through The Link (left menu > Silver Plume). From the main menu click on "search". From there you can select personal lines, commercial lines or other reference or descriptive material.

PLRB - *Property Loss Research Bureau* - Harleysville Insurance Group is a member of the Property Loss Research Bureau that not only offers a very comprehensive library of current case law on coverage issues but also provides a resource for securing research on a case by case basis. The PLRB database also includes policy forms and state specific digests covering adjuster licensing statutes, valued policy laws, and arson reporting immunity laws and others. A library of training materials is also available.

PLRB is available on the Internet and on CD-ROM. Internet access requires a user ID and password, which should be requested through the Home Office Property Claim Manager or your Home Office Property Consultant. The CD-ROM is also available through the same sources. This service also includes a question and answer service.

FIRE, CASUALTY & SURETY BULLETINS - FC&S bulletins are available on the Intranet and is another valuable source for current information regarding coverage issues. This service also includes a question and answer service.

APPROVED VENDORS

"The Link" is the Harleysville Insurance Intranet Web site. A number of company sites are available through The Link as well as access to the Internet.

From that site you can access the Claims Preferred Vendor Database (on the left menu - "Claims" > "Claims Preferred Vendors"). This search tool provides the most current list of Preferred Vendors that can be searched by Category and then by Service Area. Service Area can be searched by first 3 digits of the zip code, county, state, and national vendors or by the vendor name. The search will provide the needed contact information for the vendors.

Property Vendors are broken down into Categories according to their field of expertise such as Attorney, Approved Contractor, Consulting Contractor-General, Consulting Contractor-Roofer, Engineer-Electrical, Etc. An Approved Contractor is a contractor who has agreed to the provisions of the Approved Contractor Program. Consulting Contractors are not limited to the provisions of the Approved Contractor Program. An Approved Contractor may also be listed as a Consulting Contractor. A separate listing is provided for each Category. The Home Office Property Consultants based on the recommendations of the field and re-inspection and audit of the losses make additions or deletions.

INSPECTIONS OF DAMAGED PROPERTY & ESTIMATES

Efforts should be made to have a staff claim specialist inspect any loss of \$100,000 or more even if the claim is assigned to a vendor. The staff claim specialist handling the file should maintain primary contact with the policyholder. In all cases, a staff claim specialist should establish a rapport with the insured and must act as the primary handler with the vendor taking a subordinate role.

The following timely service goals have been established for routine claims

- Report to insured contact within 24 hours
- Report to assignment of vendor within 2 days
- Report to inspection within 5 days
- Report to ACV payment within 45 days
- Report to closed file within 60 days.

Exceptions or special circumstances should be documented on the adjuster log screen.

Staff field claim specialists should complete an estimate whenever possible on claims assigned to the claim specialist without the use of a paid vendor/ contractor. The Boeckh system should be used by field claim specialists to write all estimates that are more than 5-10 lines with the most economical use vendors or contractors only when necessary.

Estimates should contain area by area breakdowns with applicable depreciation shown. Large lump sum quantities are to be avoided. Generally, overhead and profit of 10% and 10% is properly included only on estimates that contain three or more trades. Scope should be prepared and agreed upon with the insured and/or their public adjuster whenever possible. On routine losses, estimates written by staff claim specialists should be completed within 48 hours of inspection. The estimate can be prepared at the scene if possible. If not, the estimate should be prepared and forwarded to the insured and public adjuster if applicable within 2-3 days of the inspection. All estimates should include depreciation and actual cash value on a line by line basis.

PENDING GOALS FOR PROPERTY CLAIMS

Each claim specialist, supervisor and manager should make it their primary concern to see to it that claims are handled promptly. Delays in concluding claims will affect the quality of service to our insureds.

The following goals have been established in the interest of prompt claims handling. These goals are based on the total number of open property files.

CCU Claims over 90 days old - No claims over 90 days old

CCU Claims over 60 days old - No more than 20% - all reserved at full value

CCU Claims over 30 days old - No more than 40% - all reserved at full value

CSC Claims over 90 days old - No more than 20% - all reserved at full value

CSC Claims over 60 days old - No more than 40% - all reserved at full value

CSC Claims over 30 days old - No more than 60% - all reserved at full value

SERVICE TIME GOALS

The following timely service goals have been established for routine claims

- Report to insured contact within 24 hours
- Report to assignment of vendor within 2 days
- Report to inspection within 5 days
- Report to ACV payment within 45 days
- Report to closed file within 60 days.

Exceptions or special circumstances should be documented on the adjuster log screen.

Each property supervisor should review service time on at least 5 random files

from each claim specialist each quarter and report the average time service results in the quarterly report. The Property Appraisal Assignment Log (C-1173) will measure vendor time service. The Property Appraisal Assignment Log (C-1173) should be reconciled by the Property Claim Manager quarterly to be sure all assignments have been completed and properly logged. No error messages should show in the service time fields. Vendors or staff with poor service time should be addressed.

SUBROGATION

Subrogation should be addressed on all losses. Subrogation counsel should be immediately on site on losses over \$50,000 in nearly all cases. On claims over \$100,000, subrogation counsel is to be assigned based on the National Large Loss Subrogation Program.

Subrogation issues should be identified and reported on with your plan of action clearly stated in the file within 5-15 days. The claim specialist should investigate the possibility of any third party involvement in the cause of the damage. Investigate for involvement of defective products in the cause of the loss. Determine if any recent repairs have been performed on the premises. Develop a repair history on any related items. Adequate photographs should be taken to record the scene as it was at the time of inspection. **EXTREME CARE SHOULD BE TAKEN TO PRESERVE EVIDENCE AND TO PROTECT AGAINST SPOILATION OF EVIDENCE.** Potentially responsible parties should be placed on notice of the loss and given an opportunity to inspect the evidence as soon as possible.

SUPERVISOR FILE REVIEWS AND RE-INSPECTION OF PROPERTY CLAIMS

Supervisors must re-inspect staff to evaluate their ability to write an estimate and their relative strengths and weaknesses. The supervisor should complete at least eight staff re-inspections per year as a minimum. More re-inspections may be required to adequately evaluate the claim specialist' ability to estimate damages. Re-inspections should be completed on the Property Re-inspection form C-409 and should be reported to Home Office quarterly.

Supervisor reviews, handling, direction, and training should focus on quality claim handling and timely service as established by the Home Office Property Claim Manager. Supervisors should be aware of each claim specialist' needs and abilities and should set diary to assist and direct the claim file with an eye toward file closure and claim specialist development.

VENDOR ASSIGNMENTS FOR PROPERTY CLAIMS

When do I need a contractor, independent or expert on a loss?

Claim Specialists should write their own estimates on all claims. However, there will be occasions when it will be necessary to have a Consulting Contractor assist on an unusually large or complex loss or to back up a claim specialists estimate or resolve a dispute. The claim specialist should sign the estimate indicating that the estimate has been reviewed and accepted. The assigned staff claim specialist is responsible for assuring the timeliness, quality and accuracy of the vendor's estimate or report. Either a completed estimate/report should be received in 5 business days of the inspection or a status report with preliminary amount and projected completion date should be received. The estimate should be detailed and it should include replacement cost and actual cash value on a line by line basis.

Any decision to hire a Consulting Contractor or Vendor should be approved by the supervisor and by the Home Office Property Consultant on losses where they are involved. Only Approved Consulting Contractors or other Vendors from the Approved Vendor List should be used. Additions to the Approved Vendor List can be made through the Home Office Property Consultants. Consulting Contractors should be paid on a time and expense basis, not as a percentage of the estimate written. All time and expense invoices must include a detailed breakdown of the charges.

All vendor assignments (other than National Vendors, which must be assigned through their respective call centers) must be entered on Property Appraisal Assignment Log (C-1173) using the Property Appraisal Form (C-1175). The assignment logs will be utilized to monitor the use of the program and to select the losses for re-inspection. The CSC should also conduct re-inspections on a regular basis. Home Office Property Consultants will utilize the logs to schedule and report on their re-inspections of preferred vendors. **ANY VENDOR WHO DOES NOT ADHERE TO THE ESTABLISHED STANDARDS OF SERVICE, PRICING AND WORKMANSHIP WILL BE REMOVED FROM THE APPROVED VENDOR LISTS.**

The staff claim specialist handling the file must maintain primary contact with the

policyholder. Vendors are used for appraisal only in most cases and should be billed at time and expense unless approved by the Home Office Property Manager or Home Office Property Consultant. In all cases, a staff claim specialist must establish a rapport with the insured and must act as the primary handler with the vendor taking a subordinate role.

WORKLOAD DISTRIBUTION FOR PROPERTY CLAIMS

Every effort should be made to assign large losses (\$100,000 +) to staff claim specialists for on site handling. Staff handling of large property losses should be done even if staff must travel outside "routine" service territories. If it is necessary to assign losses to Independent Adjusters, those assignments should be restricted to smaller losses.

When large losses are assigned to a staff claim specialist, field claim specialists, should be given sufficient "down time" as needed for inspection, estimate preparation, meetings, etc. that large losses require to assure quality timely handling. The staff claim specialist should be the primary file handler and should direct handling and effect negotiations. Vendors should operate at the direction of the staff claim specialist. The use of vendors for other smaller losses may be necessary in order to provide the time needed by staff on large losses.

All losses assigned to field claim specialists which remain open for more than 90 days should be evaluated by the supervisor for reassignment to an office claim specialist for follow-up in order to enable the field claim specialists to concentrate on the active larger losses.

The Supervisor and Manager should monitor pendings, direct claim specialists and assign and redistribute files accordingly. These are workload guidelines. The variables of claim specialist experience, geography, loss size, and loss frequency must also be considered.

BOILER AND MACHINERY CLAIMS

All claims involving Equipment Breakdown Coverage/Boiler & Machinery under the following forms are reinsurance claims and must be reported for reimbursement on Form Number C-1011 to the Hartford Steam Boiler Company at:

Fax: 1-888-FAX-LOSS (329-5677)

Phone: 1-888-HSB-LOSS (472-5677)

Email: New Loss@hsb.com

Applicable Forms:

BO-7204	Ed. 1-90	Mechanical, Electrical and Pressure Equipment Coverage
BO-7213	Ed. 4-93	Systems Breakdown Endorsement
BO-7212	Ed. 9-90	Systems Breakdown Coverage Schedule
COP-103	Ed. 8-98	Equipment Breakdown Coverage Part
COP-7104	Ed. 3-98	Equipment Breakdown Coverage for Commercial Output Policy
COP-7103	Ed. 3-98	Equipment Breakdown Coverage Schedule
CP-7108	Ed. 4-93	System Breakdown Endorsement
CP-7107	Ed. 9-90	Systems Breakdown Coverage Schedule
BO-7370	Ed. 3-98	Equipment Breakdown Coverage for Basic/Deluxe BOP
GO-7033	Ed. 3-98	Equipment Breakdown Coverage for Garage BOP
YB 00 07	Ed. 4-98	Equipment Breakdown Coverage (MF&C)
YB 00 33	Ed. 4-98	Equipment Breakdown Coverage (MF&C)

Harleysville Insurance Group has ceded 100% of Equipment Breakdown Insurance to Hartford Steam Boiler. Commercial Property Policies typically exclude Mechanical breakdown/

centrifugal explosion, electrical arcing/injury, explosion of steam boilers, piping, engines and turbines, loss or damage to steam boilers and loss or damage to hot water boilers. Equipment Breakdown Coverage completes Harleysville's package and fills coverage gaps.

Covered equipment includes:

- Boilers, pressure vessels-heating, process, storage
- Electrical-motors, transformer, switchgear
- Mechanical-compressors, pumps, engines, fans
- Air conditioning/refrigeration-motors, compressors, piping
- Business systems-communications, computers, copiers, faxes

Equipment Breakdown Coverage is not perils coverage. Cause of loss is an "Accident to an Object/Equipment". Direct damage includes equipment breakdown and resultant damage to covered property. Indirect loss includes time element losses and spoilage due to a direct damage occurrence.

Joint Losses

Any occurrence where both the Property and equipment Breakdown sections of the policy can respond include; Lightning, Water Damage, Freezing, Collapse, Vandalism, etc. The Joint Loss Treaty wording states that equipment breakdown is not "primary or specific" and the Guiding Principles will apply.

Claim Workflow for Claims Reported to Hartford Steam Boiler

First Notice of Loss - Received by Harleysville in the normal manner through the CCU. The claim is forwarded to the appropriate CSC. The CSC will forward the notification to Hartford Steam Boiler using the provided fax cover sheet and will cc. or fax to Amy Hagenbuch at Home Office claims (215.256.5497) to convert the claim form from unreported to reported.

Notification must include:

Named Insured	Location of Loss	Date of Loss
Deductible	Claim Number	Invoices, etc.
Declaration Sheet	Equipment Breakdown Form	Basic or Comprehensive
Company Contacts (Handling office, claim specialist & supervisor)		

Do not delay notice while researching these facts

PROMPT NOTICE IS CRITICAL FOR APPLICATION OF HSB ENGINEERING AND LOSS CONTROL RESOURCES.

Acknowledgement and contact with the insured

Although HSB will contact the insured, the Harleysville claim specialist to whom the file is assigned must make immediate contact and develop a rapport with the insured. Primary responsibility for the file rests with the assigned claim specialist.

Investigation

Telephone or on site investigation will be handled by HSB along with engineering and loss mitigation expertise. Joint losses will be handled jointly by the HSB and Harleysville claim specialist.

Admission of Liability and Claim Settlement

HSB will advise insured of their acceptance of liability and secure necessary claim documentation from the insured. HSB will provide the CSC with a position letter and a copy of the Claim Financial Summary for reserving purposes. HSB will negotiate the settlement with the insured and provide Harleysville with Reinsurance Claim Payment Notice form which needs to be faxed to Amy Hagenbuch in Home Office Claims at 215.256.5497 for reconciliation. The CSC will issue payment to the insured and Hartford Steam Boiler will reimburse Harleysville.

Denial of Liability

Denials of liability will be provided to Harleysville by HSB with a full explanation. The CSC will review the claim to determine if there may be other coverage that could respond and communicate the decision to deny or pay the claim to the insured. A copy of the denial letter from HSB needs to be faxed to Amy Hagenbuch in Home Office Claims at 215-256-5497 for their records.

BASIC BUSINESS INCOME

Smaller, less complicated Business Income losses should be completed by the claim specialist whenever possible. A Business Income Worksheet for non-manufacturing risks including coinsurance (Form C-441) has been developed to assist in preparing these losses. The information needed to complete the worksheet can be taken from the insured's latest tax return. This form is based on averages and does not consider trending or significant seasonal fluctuation. Losses of that type may require the assistance of an accountant.

Prop Manual - Reserving - (4/25/02)

RESERVING

CCU - Central Claims Unit

All property reserves should be opened at standard amounts determined by Home Office. The CCU only handles property claims under \$7,500. CCU property reserves should remain at standard amounts. The CCU property reserve should be adjusted only if a partial payment will exhaust the outstanding reserve. If adjustment is necessary for this reason, the full value reserve based on the expected final payment should be set.

All reserves should be supported by a detailed description of the damages with reference to relevant portions of the policy. The damage description should include the number of square feet damaged; the materials damaged, severity, and in some cases, rough unit costs or lump sums.

CSC - Claims Service Centers

All property reserves should be opened at standard amounts determined by Home Office. Property claims with a full value of less than \$7,500 that will close within 60 days of opening the file should remain at standard until closed. The property reserve for claims with a full value of less than \$7,500 should be adjusted only if a partial payment will exhaust the outstanding reserve. If adjustment is necessary for this reason, the full value reserve based on the expected final payment should be set. Full value reserves on property claims with a full value greater than \$7,500 should be set as soon as information is developed indicating a change from standard reserve is warranted.

All property files in the CSC (above or below \$7,500 full value) should be reserved at full value based on expected final payment if they are still open 60 days after opening the file. All reserves should be supported by a detailed description of the damages with reference to relevant portions of the policy. The damage description should include the number of square feet damaged; the materials damaged, severity, and in some cases, rough unit costs or lump sums. If this information cannot be

developed within 60 days of opening the file the reason and circumstances should be noted in the file.

If the full value reserves will exceed office authority, standard reserves should be opened upon first notice for each exposure until sufficient information is received and verified to support a reserve recommendation in excess of office authority.

Due to mainframe system limitations, it is proper and necessary to raise a reserve in order to issue an advance payment (partial payment) while the full value of the claim is still being evaluated. The reserve should be raised to an amount equal to the advance plus the standard reserve amount so that the outstanding reserve is at standard after the advance payment has been keyed. The file should be noted with the rough parameters of the damages showing that the advance amount is proper. Advance payments on claims with a full value in excess of office authority should be authorized by Home Office. Advance payments should not be delayed awaiting authority. Authority to issue an advance on a claim with a full value in excess of office authority can be obtained from any member of the Home Office Property Department on an expedited basis.